Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

UNCLASSIFIED

PAGE 01 LIMA 08668 202259Z

65-62
ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 /094 W
---------- 057052
R 202130Z OCT 75
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 7273
INFO AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

UNCLAS LIMA 8668

E.O. 11652: N/A
TAGS: ECIN, EINV
SUBJECT: ANDEAN PACT; MODIFICATIONS IN FOREIGN INVESTMENT CODE

1. TWO JUNTA PROPOSALS ARE CURRENTLY UNDER CONSIDERATION BY THE MEMBER GOVERNMENTS WHICH WOULD SLIGHTLY RELAX THE RESTRICTIVENESS OF DECISION 24 (ANDEAN FOREIGN INVESTMENT CODE). THE FIRST IS A ONE-PARAGRAPH DRAFT DECISION WHICH WOULD ELIMINATE THE 14 PERCENT PROFIT REMITTANCE LIMITATION. EACH COUNTRY WOULD BE AT LIBERTY TO ESTABLISH ITS OWN RULES IN THIS REGARD.

2. THE SECOND DOCUMENT IS A PROPOSAL FOR A SET OF UNIFORM IMPLEMENTING REGULATIONS FOR DECISION 24. IT CONTAINS 47 ARTICLES AND IS TO BE NEGOTIATED AND PUT INTO EFFECT AS A SEPARATE DECISION. THE FIRST 29 ARTICLES CONTAIN RESTATEMENTS OF THE FOLLOWING CONCEPTS: DIRECT FOREIGN INVESTMENT, SHORT-TERM CREDIT, PARENT COMPANY, SUBSIDIARY, BRANCH, INVESTMENT, AND EXTERNAL CREDIT.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LIMA 08668 202259Z

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

3. SOME OF THE DEFINITIONS ARE A LITTLE BROADER THAN
THOSE GIVEN IN DECISION 24. THE FOLLOWING INPUTS ON
PART OF A FOREIGN INVESTOR, FOR EXAMPLE, QUALIFY AS
"DIRECT FOREIGN INVESTMENT" FOR PURPOSES OF PROFIT
REMITTANCE AND EVENTUAL REPATRIATION OF CAPITAL:
CONVERTIBLE CURRENCIES, MACHINERY, NEW AND RECONDITIONED
EQUIPMENT, RAW MATERIALS, INTERMEDIATE PRODUCTS, PARTS
AND PIECES, REPLACEMENT PARTS AND FINAL PRODUCTS.

4. SOME FLEXIBILITY IS GIVEN TO FOREIGN FIRMS WHICH
SEEK EXEMPTION FROM THE DIVESTMENT REQUIREMENT BY
EXPORTING AT LEAST 80 PERCENT OF THEIR PRODUCTION TO NON-ANDEAN
MARKETS (ART. 34 IN DECISION 24). ACCORDING TO THE
PROPOSED IMPLEMENTING REGULATION, THE FIRMS WOULD NOT
LOSE THIS EXEMPTION UNLESS THEY FAILED TO MEET THE
REQUIRED EXPORT LEVEL MORE THAN TWO YEARS
IN A ROW.

5. THE PROPOSED IMPLEMENTING REGULATION WOULD LIMIT
LOCAL SHORT-TERM CREDIT TO 1 1/2 TIMES THE REEXPORTABLE
CAPITAL OF THE RESPECTIVE FIRM. THIS IS LESS RESTRIC-
TIVE THAN PERUVIAN DECREE-LAW 19470, WHICH LIMITS SUCH
CREDIT TO AN AMOUNT EQUAL TO THE FOREIGN FIRMS' CAPITAL.

6. THE PROPOSED REGULATION ENDEAVORS TO MAKE THE
AUTHORIZATION, REGISTRATION AND MONITORING OF
FOREIGN INVESTMENTS IN THE SIX COUNTRIES AS UNIFORM AS
POSSIBLE. ALTHOUGH NO NEW RULES HAVE BEEN ADDED, THE
OPERATING FUNCTIONS OF THE "ORGANISMOS COMPETENTES" IN
THE MEMBER COUNTRIES ARE SPELLED OUT IN SOME DETAIL.

7. THE TWO DRAFT DECISIONS ARE NOT ON THE AGENDA FOR
THE OCTOBER 22 COMMISSION MEETING. INSTEAD, THEY WILL
BE DISCUSSED AT A CONSULTATIVE COMMITTEE MEETING WHICH
IS NOW SCHEDULED TO START NOVEMBER 3. THE SIX COUNTRIES
ARE STILL FAR FROM AGREEMENT ON THE IMPLEMENTATION OR
MODIFICATION OF THE FOREIGN INVESTMENT RULES. WHILE THE
14 PERCENT PROFIT REMITTANCE LIMITATION IS
CONSIDERED BY MOST OBSERVERS, INCLUDING PACT OFFICIALS,
TO BE UNREASONABLY RESTRICTIVE,
UNCLASSIFIED

SOME OF THE COUNTRIES ALSO WANT A SIGNIFICANT
LIBERALIZATION OF OTHER PROVISIONS IN DECISION 24.

8. A COPY OF THE PROPOSED REGULATIONS IS BEING
POUCHED TO ARA/ECP.
DEAN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT LAW, FOREIGN INVESTMENTS, AMENDMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA08668
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750364-0472
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751038/aaaabhod.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 27 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 OCT 2003 by MaustMC>; APPROVED <04 FEB 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT; MODIFICATIONS IN FOREIGN INVESTMENT CODE
TAGS: ECIN, EINV, PE, ANDEAN PACT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006